Interview with Rutherford M. Poats

United States Foreign Assistance Oral History Program Foreign Assistance Oral History Collection Association for Diplomatic Studies and Training

An interview with Rutherford M. Poats

Interviewed by W. Haven North

Initial interview date: January 13, 1999

Q: Today is January 13, 1999. The interview is with Rutherford M. Poats. Briefly, how long were you with AID in your career?

Overview of career with USAID

POATS: I joined AID almost at its inception in December 1961. I had as a journalist reported periodically on the evolution of thinking about the creation of a consolidated economic development agency in the U.S. government to replace the several elements of foreign assistance that preexisted AID. I came to AID from a career as an economic journalist, principally in the Far East where I covered the economic aspects of the occupation of Japan and its subsequent resurgence. I also covered some aspects of the political and economic evolution of the Republic of Korea as a war correspondent. I worked in the Far East for 11 years before coming to Washington, where I did the same kind of economic reporting with emphasis on international economic relations of the United States with other countries. So, I came to AID in 1961 with that background and with that interest in the processes of international economic cooperation.

Early years and education

Q: Before we go into that in more detail, let's go back earlier so people understand where you are from, where you grew up, and anything about your early education.

POATS: I don't think my early education particularly oriented me toward international development. I grew up in Spartanburg, South Carolina, moved from there as a teenager to Atlanta, Georgia. I attended Emory University, where I majored in economics and journalism, a mixed major. I had an accelerated graduation from Emory in 1943. In the Army, I ended up in the Far East at the very end of World War II and became the editor of a magazine that was published by MacArthur's headquarters. I therefore was in the rear echelon of the MacArthur headquarters when it moved into Japan at the end of 1945.

Q: When you were in Japan, you were doing journalist work?

Military assignment in Japan and Korea - 1945

POATS: Initially, I was doing some journalism in MacArthur's headquarters. I was there when all of the colonels and majors were leaving as fast as “points” permitted them to go home. I was a young captain in the Troop Information and Education Section of MacArthur's headquarters and found myself by want of bosses to be both the officer in charge of the Armed Forces Radio Service news output and the overseer of the daily newspaper published by MacArthur's headquarters for the troops. In those roles, I also had to supervise and, to some degree, participate in writing guidance documents, brochures, pamphlets, and so on to orient the American troops on how to behave in Japan and Korea, how to respect the local culture and that sort of thing. So, it was an excellent opportunity to do some journalism while being a government official.

Q: Were there any events or experiences in Japan that stand out in your mind on how that operation worked? Of course, it was very significant.

POATS: Of course, it was a generally highly successful effort to reshape a major society and economy to a Western conception of a democratic social order and a capitalist

economic order. Korea was a different story, even though Korea had traditionally recognized the critical importance of human resource development. It put priority emphasis in governmental expenditures on education. It, nonetheless, totally lacked political leadership oriented toward economic issues, development particularly, but not just development — all aspects of the economy. Syngman Rhee was trained as a theologian in the United States. He had nothing but disdain for business, moneymaking or that sort of grubby business, and was interested solely in enhancing Korea's independence as a logical aftermath of a colonial experience under Japanese colonial rule. So, Korea was still in 1961, when USAID became very important to its development, at lower average income levels than Ghana at the same point in time. Rhee was succeeded by a general who had no pretensions of economic wisdom, but he understood the critical importance of catching up with Japan, of giving Koreans self-respect through economic growth. He effectively employed the USAID Director in Japan, Joel Bernstein, as his tutor on economic development. Bernstein would go twice a week to the Blue House, the presidential mansion, and lecture the President and a few of his aides on economic development principles, the role of foreign investment and various technical innovations, and on accelerating and focusing an economy toward broadly shared growth. This general, General Park, took it upon himself to lead Korea toward a high rate of economic growth and set off to catch up with Japan. He pursued that vigorously. He also did such useful things as reforesting the whole countryside, which had been denuded by several decades of deforestation and erosion. So, this dictatorial general had a major contribution to make. He did it, of course, with an iron hand. After a while, of course, that didn't sit very well with the populace. But he made a major contribution. The lesson I took from that was that political leadership oriented toward development and insistent upon organizing coherent programs for development is more important than any other factor in development. That's not to say that he could have succeeded without the prior and continuing investment in human resource development, or without the critical contribution of foreign aid, mainly U.S. aid. This was at a time when moving ahead to fill the gaps in development that had occurred under the colonial period depended upon foreign

resources, foreign aid. They used that aid much more wisely. They used it under much more persistent and invasive advisory roles of the USAID mission than was true in most other countries. So, I drew from that experience a view of how aid can work that influenced my thinking thereafter.

Q: This period you were talking about was the 1950s?

POATS: The 1960s. The 1950s were quite a different story. That was the period when American aid was wholly rationalized and focused on Defense Support and Supporting Assistance. The notion was, we would simply prop up the Korean military establishment so that it could sustain the security of South Korea during the truce. After all, there was no peace after the Korean War, which ended in 1953. There was an armed, highly vulnerable border stretching roughly along the 35th Parallel. The U.S. policy was to strengthen Korea's capacity to defend itself so as to avoid inviting renewed attack from the North — triggering an action that would involve the United States, which retained forces in Korea.

Q: Was there a significant economic dimension in that earlier period?

POATS: The economic dimension was this: we funded the defense budget. We did that by providing resources in the form of goods shipped into the country under Supporting Assistance funding. This meant that Korea had little incentive to generate foreign exchange through exports to pay for essential imports and had no incentive to induce foreign investment to expand the economic base. After all, the economic base was artificially maintained by this level of Defense Support. That would have not been sufficient for a government eager to achieve development, but for Syngman Rhee, that was just fine.

Q: That was the time when Korea was described as a basket case, without hope.

POATS: Yes. Of course, that was absurd. Korea had great potential, mainly human resource potential, which was actually suppressed by this Defense Support policy. That was changed abruptly just about the time I came into the Far East Bureau of AID.

Q: What brought about the change?

POATS: Finally achieving acceptance within the U.S. government that this was a wrongheaded policy. This had been the view of ICA in the last couple of years of ICA's existence, but it did not have the clout in the government to bring about the change. The Defense Department and the State Department always overruled the ICA's arguments. It was only when AID existed and we had a different relationship with the White House from that point on. We had in Korea a very tough, some would say autocratic, AID Director, Jim Killen. Back in Washington, Sy Janow was the head of the Far East Bureau; he knew Korea well from commercial experience in Korea. We were able to shift the whole thrust of the program away from supporting the defense budget to supporting programs of development. That came along only when Park was there, ready to accept that reorientation.It would not have been possible under Syngman Rhee. So, these two forces happened to coalesce.

Q: That's very interesting. Back a little bit on Japan. I assume you knew General MacArthur in that time?

POATS: Of course, I was a very young person, low down in the ranks.

Q: But you had exposure to him.

POATS: I was exposed to him, yes, and exposed, of course, to his successors as well. Mainly, I knew General MacArthur as a reporter observing, reporting, and commenting on the occupation policy's programs.

Q: You spoke of that time, the experience of the occupation, having a profound impact on the Japanese culture, society, and values. How did that come about? That's something that comes up all the time in development issues. Here we seem to have had a profound effect.

POATS: MacArthur was a remarkable reformer. Again, nothing in his military background would have led one to expect that he would become a leading liberal in the sense of bringing about a transition of a whole society from a very centralized autocratic structure both in government and in private life to one which was open to change and to bottom-up efforts to bring about change. He instituted, partly under instruction from the Allied Forces consultative process in Washington and partly on his own initiative, a whole series of economic and social reforms — most famously in the drafting of Japan's democratic antiwar constitution. But he also the broke up the cartels, freed labor to form effective serious labor unions, changed the curriculum of education at all levels, and promoted the development of a free press, which became extremely free as it went along, and so on. Many fundamental changes.

Q: There must have been something in the Japanese state of mind that welcomed this or was open to this?

POATS: Yes. They did not resist, partly out of acceptance or resignation to the realities of their defeat and partly because many sensible Japanese were, after all, Western-educated and had never been able to exercise their own inherent or Western-induced concepts of how a society ought to operate. The failure of the military government of Japan obviously opened the way to trying something different. The Emperor collaborated with this radical change. The people went along obediently. They obviously had the right kind of political leadership at the right time. It just was amazing. We did something for Japan in that period of an economic development character that shouldn't be neglected. In a sense, the first U.S. international aid programs were in Europe in the aftermath of the war there, the Marshall Plan and the Greek-Turkish aid program, and in Japan with what was called Government and Relief in Occupied Areas (GARIOA). That was primarily the importation of American food, but it also included cotton for the textile industry, other basic materials, and concurrently, running interference for Japan in opening up markets for Japanese goods in the rest of the world. Japan was feared and shunned at that time. It

took some real assistance by the United States to bring about a change in the receptivity of other countries to Japanese exports. A lot of these things were aspects of an economic development assistance effort by the United States even though nobody thought of MacArthur's headquarters in those terms. It had a much broader mandate, of course, than that.

Four years as a journalist on economic affairs in Washington - 1957-1961

Q: Out of that experience, what brought you to want to get into foreign economic assistance?

POATS: I think that suggests how my education had proceeded after leaving college. When I came back to Washington, I was assigned to cover international economics in Washington with the United Press, which at that time was a major news agency subsidized by the Scripps family. I covered the White House, the Commerce Department, the Treasury Department, the State Department, congressional committees dealing with aspects of international economic matters, trade, and so on.

Q: This was what year?

POATS: This was in 1957-1961, four years of economic news reporting in Washington following those 11 years in the Far East.

Q: Any particular assignments you had at that time that stand out?

POATS: The assignment that is directly relevant to your questions is this: I followed, essentially on my own initiative, the discussions on the Hill, among the aficionados of development cooperation, the ideas that were coming out of the Senate Foreign Relations Committee and the House Foreign Affairs Committee. They were discussing how to make the U.S. contribution to development more systematic, to consolidate the several different elements of the U.S. government working in this area, and to give it more importance

in the policy councils of the U.S. government. People like Senator Church, Senator Javits, Congressman Zablocki, Congressman Fraser, a number of early advocates of strengthening the aid programs were consulting with people in the State Department on this subject in 1960 and earlier.

Q: What was driving them? Was there any particular overriding motive or interest?

POATS: I think mainly a sense of the optimism that dominated thinking at that time about the capacity of government to make constructive change. This was, after all, the era of liberal economic thought. We had had a successful World War II experience, reoriented our enemies following the war, and restored European economies through the Marshall Plan. Americans believed that if right-thinking people put their resources together in some sort of collective, energized effort, we could accomplish more. We looked out and saw the world that we had inherited the leadership of after World War II, and there was much to be done. The general tone was “We can do it. We can roll up our sleeves and make a difference.” We shared a very positive notion of what the foreign policy of the United States should be. It certainly included bringing about constructive change of a political and social nature in the rest of the world and particularly in the so-called underdeveloped countries of the world. After all, they included most of the world in those days.

Q: What about the communist “threat?”

POATS: That was what finally triggered a great majority support for action, first in the Marshall Plan to buttress the devastated continent of Western Europe against what was already seen as a communist threat beginning with the bringing down of the so-called Iron Curtain in Central Europe; and then secondly with the victory of the communists in China in the Chinese Civil War, which culminated in 1949 with their control of all of China, and, of course, with its peripheral communist countries on its border: North Korea, North Vietnam, and so on. Then thirdly, the advent of Castro in Latin America in 1959. The earliest evolution of this thinking about what to do about these threats was in the creation

of the Alliance for Progress, which was seen as a means of insulating and inoculating the rest of Latin America against Castroism. Similarly, this thinking was evident in Asia in the strengthening of the periphery around China under Dulles' leadership in the Eisenhower Administration through alliances to contain China, the Soviet Union and its satellites in Asia. Thus, fear that impelled the United States' political leadership to look for tools other than military tools for defense against what was seen as a global monolithic threat of communism.

Q: So, it was both the fear aspects, but also a euphoria and a positive view of what could be accomplished?

POATS: We would have never seen large-scale development aid as an effective means of dealing with this problem if we hadn't had at that time confidence in government to a greater degree than I think we have today. We were confident that government could mobilize institutions, people, and resources to focus on problems and bring about an accelerated process of relief, a reduction of these problems. Aid was a major mechanism by which we could apply ourselves to these tasks around the world. We had a global view.

Q: Were there any particular themes or emphases prior to the formation of AID that were being debated and proposed by these groups who were starting this process?

POATS: Yes, there were debates. The debate continues. There were debates among those who thought that technical assistance, giving our know-how to people, don't give them a loaf of bread, but teach them how to raise wheat, etc. was the way to proceed. Therefore, let's just stick with the ICA, which was essentially that kind of agency, the successor to the Point Four Program. Others, who were champions of the Development Loan Fund (DLF) and ICA capital grants, saw the task as accelerating the development of infrastructure and related institutions through loans transfer of capital, offsetting the shortage of savings and foreign exchange, particularly in the developing countries, by providing loans which would be more or less conventional, but on longer terms than they

could get in the private market. An adjunct to this debate was: you've got the World Bank and we're about to develop the Inter-American Bank. Why not just put a lot more money into those institutions for lending on a multilateral basis to these countries? But there was another element that was more important in U.S. government thinking in both the Executive Branch and the Legislative Branch. That was this point I made earlier about fear of communism. If we ought to focus aid on the priority areas of concern to us in a security sense, a bilateral program that is closely related to our own foreign policy and defense apparatus is preferable. Then we can target our aid on the countries where there is the greatest threat or vulnerability to communist influence and incursion. So, that made the initial conception of AID heavily concerned with what was then called Supporting Assistance for the countries that needed support in their defense against internal or external communist threats.

Q: You were talking about the emergence of the AID format. Who were the people and what was the process that brought AID into being? I assume that you were writing reports about this sort of thing?

POATS: Yes. There was a small group in the Mutual Security Office on the seventh floor of the State Department that had the leading responsibility for putting together a prospectus, an outline of objectives, and ultimately legislation, to create a consolidated aid agency. They brought into it control over Supporting Assistance, Development Assistance — both technical and financial — absorbing the existing DLF and ICA programs. They also included in it effective control over the food aid program, but not responsibility for its budgeting. It was wisely assumed that the Agriculture Department could get more money for food aid, since it was conceived and seen as a support for stabilization of domestic agricultural prices. Finally, the Peace Corps, which was just being established in the less than year old Kennedy Administration under the President'brother-in-law, was allowed to stay outside of this consolidated structure. It was even allowed to retain a certain

independence from coordination by the new aid agency at the insistence of its friends in the White House. So, that was one of the debates that was resolved.

Q: What about the other economic assistance institutions? There was the Ex-Im Bank, Treasury's role with the World Bank, and so on. That came up later, but was this an issue at that time?

POATS: The Ex-Im Bank was not seen at that time as an aid agency because its mandate was to selectively support exports of U.S. goods in those areas where there was a competition for a market that was subject to support by other governments' export subsidy programs. So, that had to have its own mandate and administration and to be seen that way by the public and Congress. Treasury's control over U.S. Participation in the multilateral institutions was resolved in favor of Treasury's retaining the lead role, but a development coordinating committee was set up with the Administrator of AID as the Chairman of that committee. So, the Treasury was under sort of a leash imposed by that committee — nominally at least. That is how they bridged that little problem. But as the multilateral agencies in later years became more important and proliferated, the Treasury's role gradually grew and the Development Coordinating Committee fell into disuse.

Q: What were some of the thoughts about the structure of AID? You talked about the integration of the Development Loan Fund and the other programs, but how did it compare with its predecessor, ICA?

POATS: There was a much greater emphasis on regional management as opposed to technical management. In ICA, the princes of the realm were the heads of the technical units. In AID, the princes were the assistant administrators for regions. They were given under the first three AID Administrators considerable discretion in designing their programs and presenting them to the Congress. The AID presentation book was a set of sections that were largely drafted and determined by the regional Assistant Administrators without too much intervention by the Administrator. I was in the Far East Bureau, where I was

responsible in my first job for drafting the AID presentation to Congress on programs in the Far East.

Q: Let's come back to that in a minute. What was your view of all this going on? You obviously were closely aware of all the changes and the processes. Apart from straight reporting, did you have sort of your own view of all these changes?

POATS: I had great enthusiasm for the Kennedy Administration at this moment, not just to go into AID, but to go into the Kennedy Administration. This was a way to do so without being another flack, another public relations officer retreaded from being a reporter. So, this was an opportunity that I grasped for that reason. But I quickly became convinced that we were onto something very important, that AID had a very important role in our foreign policy in that period, and that it was indeed often central to the national priorities of sustaining and strengthening countries against the threat of subversion and against the longer-term threat of poverty Joined USAID as Special Assistant for Legislative Affairs and later Deputy Assistant Administrator in the Far East Bureau - 1961

Q: How did you get this position? You started in what year?

POATS: I got the position simply because I was entreated by my friend from Tokyo, a businessman, who was invited by his former World War II boss, Fowler Hamilton, to become the head of the Far East Bureau. This friend, Seymour Janow, asked me to come in with him because he was, at that time, a stranger to Washington. I had been there four years and knew a lot about the State Department, the evolution of AID, the Congress, too.

Q: When did you actually join USAID?

POATS: On December 6, 1961.

Q: That was just a few months after the formation of AID.

POATS: It was formed in September.

Q: And your position was?

POATS: It was initially Special Assistant for Legislative Affairs in the Far East Bureau and later became Deputy Assistant Administrator in the Bureau

Q: What did the Far East cover at that time?

POATS: The Far East was subsequently called East Asia. It meant the countries from Burma eastward around the bend of Asia to Japan and south Korea, including the Philippines, Indonesia, Malaysia, Thailand, South Vietnam, and Taiwan.

Q: Quite a spread. What was your main responsibility in that position?

POATS: Two areas of great potential, opportunities for early success — success as measured, I should say, by Dave Bell, the second Administrator of AID, who came in fairly soon after Fowler Hamilton. He measured success in terms of graduation from concessional aid. How fast a country can fulfill the development goal of reaching self-sustaining economic growth. He believed that countries that were just entering upon industrialization and social change could be accelerated in that process by collaboration with external sources of finance and technical advice so that they could reach a level of self-sustaining growth, no longer dependent upon highly concessional transfers of resources. So, looking around the circuit, it was quite clear that Taiwan was a potential candidate for graduation, and Korea might be at some point.

Q: Did they receive assistance while you were in the Bureau?

POATS: They were already receiving heavy Supporting Assistance, Defense Support from ICA, getting substantial Development Loan Fund loans as well, and getting Food for Peace transfers as well. So, those were two obvious opportunities. I focused a great deal of my

attention on them, partly due to the fact that I knew something about them. I had worked in both those countries as a reporter over many, many years.

Q: Were you involved then in the graduation of Taiwan? How did that come about?

POATS: I indeed was. I never will forget flying out to Taipei in 1965 (when I was Assistant Administrator for the Far East) to give the government the news that we had decided to phase out Supporting Assistance over the next 18 months and that we would supplant that with a one-shot endowment in the form of local currencies generated by previous programs. We would agree the local currency earnings would be a source of income for certain agreed programs, mainly in the field of international educational exchange. They, of course, were not eager to lose this nice handout from Uncle Sam. So, I was greeted after a straight-through, red eye flight from Washington to Taipei with a big dinner party given by the Prime Minister, C.K. Yen, who was the boss of their economic program. He was a first class development economist among other things. He had a 14 course Chinese dinner for me. After about five or six courses and many drinks, I literally fell asleep on his shoulder sitting next to him at his dinner party. I wasn't quite as disgraceful as President Bush was on a similar occasion in the mainland of China some years later. I woke up the next morning and went through with the ordeal informing him of this decision. I found that the Prime Minister was not at all nonplused by this, although some of his staff were. He readily accepted that the termination of AID grants was a recognition of the success of Taiwan.

Q: That was the way it was presented?

POATS: That was the way it was presented and that's the way he bought it. So much of our relationship with Taiwan in that period when I was involved from 1962 to 1965 was similar to this. For example, even though Taiwan was doing very well, it still had some strong military elements in the government that were determined to spend every available Taiwan dollar on the military — and for some legitimate reasons. After all, they were

threatened constantly with attack from the mainland. Nonetheless, there were people in the government who were devoted to long-term economic security as the basis for real security for Taiwan. These people we discovered included the Prime Minister, but not President Chiang Kai-Shek. So, the USAID Mission on our instructions proposed a 12 point program of policy commitments which would be the condition for continued U.S. Supporting Assistance in 1963-64. Instead of resistance from the government, back came a request from C.K.Yen, privately transmitted to the USAID Director there, Wes Haraldson, to add four more points to our request. So, it became a 16 point program, publicly seen as imposed by USAID upon his government.

Q: Do you remember what they were?

POATS: No, I don't, but I remember that it was illustrative of the kind of real cooperation that was so rarely found in other countries where people resisted IMF, World Bank, and AID dictates. Here, they were collaborating with us to impose additional conditions on their fellows in the government.

Q: This was mainly macroeconomic policies?

POATS: Yes, macroeconomic policy, but some micro, too.

Q: What was the driving force behind our decision to send you out to tell them that we were going to terminate the program?

POATS: It was part of the graduation doctrine.

Q: For the State Department?

POATS: For the State Department and the White House as well. Dave Bell had considerable influence in all of those quarters. After all, he had been in the Truman White House as a young economist. He had been the first Budget Director in the Kennedy

Administration. He had very close relations with the Secretary of State. So, this all was a concerted effort to begin to focus U.S. aid on the countries that needed it.

Q: You said they set up a large counterpart fund. That was for use for international programs. I had some experience seeing that money being expended in other parts of the world. Was that part of the program? Do you recall anything about the purposes and programming of that counterpart?

POATS: It was used to support international training, primarily sending Taiwanese here, receiving short-term professional assistance from U.S. universities, research centers, and so on, in Taiwan. It was not a lot of money in today's terms. It was significant in those years for a while. Of course, Taiwan's development moved ahead so rapidly that it was soon just a blip in their budget.

Q: What about some of the other countries you were working on at that time?

POATS: Indonesia was a major concern of the State Department and the White House in those days because Sukarno, somewhat like Syngman Rhee, was wholly oriented toward the politics of independence, again fresh from the Dutch colonial experience, and determined to achieve the trappings of sovereignty — such things as great public squares, monuments, infrastructure, and so on. The country was not progressing economically at all. It had a rapid population growth rate and a very low level of education. So, we were concerned that Indonesia was not getting ahead and we were just simply pouring money down the drain there. Although it was not large in terms of the scale of the country, the program was substantial. So, that was an anxiety. We collaborated with the World Bank, the IMF, and several bilateral aid programs, and ultimately formed a Consultative Group (Aid Consortium) for economic cooperation with Indonesia under the leadership of the Dutch. Strangely enough, the Indonesians had no problem with Dutch chairmanship of the group. That was my first experience with systematic international cooperation for coherent influencing of recipient and donor policy. Well, we didn't get very far with this

until Suharto came in; he brought in a group of economists who were largely graduates of the University of California at Berkeley, the so-called Berkeley Mafia. These people were trained by Ford Foundation grants to the Ph.D. level. I don't think there was any single program I ever heard of, in the international aid field, that was as cost effective as that Ford Foundation program for training probably no more than a dozen Indonesian economists to the Ph.D. level. All of them went to work on aspects of national development under Suharto. They were the people with whom we could collaborate in this consultative mechanism and bring about much more effective use of World Bank, IMF, USAID, Dutch aid, and all the rest. They made a difference. They could not have been in office and have had that kind of authority under Sukarno. So, here again, political leadership and economic policy competence in key institutions proved crucial.

Q: That's a good observation. And some of the other countries that you were concerned with?

POATS: Of course, Vietnam became the dominant concern of the U.S. government and, naturally, AID. By the time we were brought into the war fully, we had already had a very large scale Supporting Assistance program since the late 1950s. It was support for the military establishment of Vietnam, and it grew in the early 1960s when we began to ratchet up our military involvement through the expanded Military Assistance Group (MACV). AID was, in effect, funding the defense budget. That one program soon greatly exceeded all the rest of our aid in all of East Asia and ultimately was probably equal to all the rest of aid in the world. I've forgotten the numbers now. In any event, it had some of the same problems that we had seen elsewhere. It certainly was not a time to focus on development. It was a question of survival of the country — or the government. AID was brought into the nation building efforts led by the U.S. military establishment and the CIA as paymaster, and provider of manpower, and some rural development skills. We funded and to a considerable degree staffed the provincial operations — village improvement — provincial and other development efforts throughout the country. Of course, I spent a good part of my time traveling back and forth to Vietnam from Washington, spending extended periods

there trying to make sense of it. But it was clear that this was quicksand. Our money was simply dissipating in the tides of war and in the corruption that was rampant in the country. We were frustrated by the lack of commitment on the part of the government of President Diem and his successors to rational economic management. So, I became an internal critic of the effort, but, of course, had my duty to carry out. One of my duties was to troop up to the Hill with Secretary Rusk as his economic bag-carrier and answerer of questions on economic details during his almost continual Congressional appearances in those years. Of course, I also had to defend the AID budget to the appropriations and authorizing committees of Congress. There, I remember getting into serious dutch with my political bosses when I acknowledged, in answer to a series of questions by Congressman Reigle in the Subcommittee on Foreign Operations Appropriations, the truth of his allegations about corruption and misuse of AID and government funds in Vietnam. Reigle later used the information to declare his break with the administration on Vietnam. I survived that somehow.

Q: But we were trying to do development, I guess, in the provinces.

POATS: Yes, we were trying to do development with one hand and fighting a war with the other. We certainly put a lot of effort into a number of grass roots programs: pigs for the farmers, watermelons, roads, all kinds of programs, trying to give the peasants a sense of hope, progress, and an alternative to the entreaties of the communist cadres who were all around and among them.

Q: Do you think this had any effect?

POATS: Oh, no, it was absolutely washed away. I would say that the program had a negative effect on economic development in Vietnam in the long term sense.

Q: Why a negative effect?

POATS: Because there was no incentive left to make long term investment commitments when the USAID was there to provide the money to build anything, do anything, you name it. If it was halfway plausible as a means of strengthening the society and showing support for the government and showing the government had a capacity to respond to the people's needs, we did it. So, there was nothing left in the way of a Vietnamese self-sustaining effort. That's not a criticism of AID or of development so much as a recognition that the circumstances have to be right for development aid to be positive. It can easily be negative if it discourages the development of private enterprise, discourages long-term rational investment, encourages idle fancies in banking.

New challenges as USAID Deputy Administrator - 1966

POATS: Let me turn now from that early experience in AID in the Far East to a later experience when I became the Deputy Administrator at the end of 1966 and quickly shed the dust of Vietnaand involved myself in other parts of the world as fast as I could. I spent a lot more time thereafter on Latin America, South Asia, and, to a lesser degree, other parts of the world.

Q: What were the Latin American issues you were concerned with? This was as Deputy Administrator?

POATS: Yes. At that time, in the late 1960s, we were nearing the end of the first decade of the Alliance for Progress and were beginning to see some successes and some shortcomings. The real problems in much of Latin America were undisciplined expansion of money supply, which led to inflation and the expectation of further inflation, which was, in some respects, more important than the actual realities of excesses by government. There also was the problem of retrogression in the movement toward democracy. A number of countries had backslid into military regimes in that period. So, the Alliance was brought under question. At the same time, the Inter-American Development Bank and its soft loan program had become more important as a source of support for these countries.

Also, at the same time, much of our AID budget had been diverted to Vietnam and to Israel. So, there was not as much money for AID to make a difference in these relatively large economies of Latin America as had been the case at the outset of the Alliance for Progress. The smaller programs of the Alliance for promoting the development of local civil society had had their day and had become reasonably well established as indigenous operations by that point. So, the Inter-American Bank and the World Bank had become the primary sources of development assistance to Latin America. As a consequence, increasingly, the role of the AID people was to supplement and seek to influence those other, larger sources of aid on how to make an effective impact.

Q: In our earlier period with the Alliance, do you think we made a difference in Latin America?

POATS: Yes. There is evidence during the mid-1960s that the Alliance was making a significant impact, mainly, I think, on reorienting political priorities, values, to development and helping people define what constituted the underpinnings of successful accelerated development and what constituted errors in that process. This was a learning period for both them and us. We made plenty of mistakes. But I think at the end of about six years, it was fair to say that the Alliance had become truly an alliance for progress.

Q: What were the main instruments or ways in which we brought about this change of view ?

POATS: I think we made good use of the institutions that previously existed, the Inter-American institutions, including the Inter-American Bank and the Latin American arms of the IMF and the World Bank. We had a very good integration of development action in our own administration. The Alliance for Progress was a function of the Latin American Bureau of the State Department. In a large sense, it had its AID staff and it had AID budgeting disciplines and so on, but it was fully integrated. The head of that bureau was always, in this period at least, a keen devotee of international development cooperation. Some

first-class development managers were the heads of the State Department's Bureau for the Alliance for Progress. That was important. It had its negatives, of course, but I had no trouble in later years accepting the idea of much closer integration of State and AID. Indeed, I never found reasons to object to Senator Helms' recent forays on that subject. I think there is a lot to be said for it. Obviously, it can run wild if the State Department dominates it with short-term political considerations. But with the right kind of leadership in the State Department and the right kind of collaboration and the right kind of oversight by the White House and the Congress, I don't fear it.

Q: I'm jumping ahead a little bit, but that's one of the questions that comes up in many of these discussions: the interaction of State's short term political security interests and our interest in long-term development. Do they complement each other or is the aid process compromised by short term political interests? How would you view that question?

POATS: Well, I've seen both sides of it, obviously. I've seen the worst of it in the early days in Korea and in Vietnam for an extended period. I've seen it in Egypt as well. I was in a later period (1975-1977) the Executive Director of U.S. Economic and Technical Commissions with the Middle Eastern countries. The Joint Commission with Egypt was the forerunner of the reestablishment of the USAID Mission in Cairo. So, I was involved in the reestablishment of the aid program in Egypt and observed it in that role for several years closely and then later at more distance. I must say that the fixation on maintaining a certain level of aid for Egypt, at a notch below our aid to Israel, insured that neither of these programs was driven by development policy criteria. This struck me as a reversion to the old days of Supporting Assistance. Indeed, much of it was funded by Supporting Assistance in recognition of the fact that it was essentially a political program. I think it was wasteful in the aggregate for that reason, not that there weren't some good things done in Egypt, but highly wasteful in the sense of the aggregates involved.

Q: But the political side wasn't wasteful, I guess.

POATS: No, but in terms of Egypt's own interest, I suspect, it was poorly served by that kind of openhanded check writing policy. So, I've seen that as the worst aspects of a State Department dominated aid program. But again, I would say that those are cases that would arise even if AID was, as it is in the case of Egypt, independent. It takes its orders, after all, from the President if not from the Secretary of State, which increasingly it does as well.

Q: Do you find other cases where they complement each other, that the political has been supportive of development efforts?

POATS: Yes, I think certainly the collaboration of the State Department ambassador and his country team with the AID Director is crucial in almost every country. The participation and active intervention of the ambassador, and often his political and economic counselors, can make the difference between a marginalized AID operation and a central one. Even where our resources are not very great, that can be true. For example, in Eastern Europe, I would say that the successes of AID assisting in the transformation of those countries from communism to market economies depended very largely upon this integration of the U.S. country team and its collaboration with the other sources of foreign assistance, particularly the World Bank and the European Bank for Development. So, this reinforced my idea that State-AID integration can and must work, especially where AID has become almost negligible as an economic factor in a host country's development. AID has no possibility of having any meaningful entr#e to the opinion and decision-makers except through its role as a partner of the ambassador.

Q: Let's go back to your Deputy Administrator role. Were there other dimensions of the program you were concerned with? What were you trying to bring about in that role?

POATS: I got into two or three specialized areas in that period. One had to do with the development of the research program for population assistance. This was, after all, a relatively new role for the U.S. government. The tools we had to work with were quite

primitive in the late 1960s. Through the initiative of the Rockefeller Foundation and the Ford- Rockefeller-funded Population Council, a consortium of universities and agencies for thanalysis of population issues and definition of technical research targets was established.

Q: Was this something that you helped sponsor?

POATS: I was the AID representative in the group. It met periodically in AID under my chairmanship. I was not an expert on the subject, but had that role.

Q: What were the primary initiatives that you were trying to bring about?

POATS: We were trying to increase the allocation of both U.S. government research funds (NIH, HEW, AID, and others) to programs of contraceptive technology development, but also to get other governments to do this as well. There was a group in Sweden of a similar orientation with which we worked to bring Europeans into the program, without great success because their political leadership was very skittish about intervening in such issues for religious and political reasons. But we did greatly increase the allocation of AID and HEW research funds to population programs including grants to U.S. private institutions and quasi-private institutions such as universities and research centers and to programs of adaptive research and social science research in developing countries. This was a way to stimulate the creation of cadres of activists for this cause in developing countries through the guise of research. It led from that point onward into bigger and bigger programs of operational assistance for population programs.

Q: Population programs at that time were reasonably well supported by Congress?

POATS: Yes, actively supported.

Q: Was it as controversial as it has become?

POATS: It did not become controversial for a number of years. It did ultimately, but only when we got too noisy about it. For example, we had quite effective programs in wholly Catholic countries with Catholic leadership in Latin America and in the Philippines and in Muslim countries such as Pakistan without any great difficulty in the early years.

Q: What was your understanding of the key ingredients of these effective programs? What accounted for their being effective?

POATS: A handful of local leaders who worked within the medical establishment to extend these programs as aspects of rural community development and health assistance and at the central level in the universities and research centers. Working with the local pharmaceutical industry and the population officers of governments did a great deal, with some advice from Americans, to commercialize the business of production and distribution of contraceptives, for example. That was a major enthusiasm of mine in my period as Deputy Administrator. Another was the extension of country-level aid coordination beyond that which we had initiated with the World Bank primarily the lead — in India, Pakistan, and Indonesia. It was then extended to Colombia and various other countries.

Q: These were Consultative Group functions?

POATS: Consultative Groups or coordination groups. They were essentially the same thing. A couple of them in India and Pakistan were called consortia. They had a sort of formal pledging operation to make it a consortium. It was somewhat less formal and less rigorously disciplined in the other cases.

Q: How did those work? There is new interest now in reviewing the aid coordination business and Consultative Group and Round Table processes. How did you find those worked?

POATS: Like any institutional integration, it proved to be less effective than the theory in every case. Again, going back to my example of Taiwan, an aid coordination group worked

best where the country's finance minister had the support of the local prime minister and clear authority over the economic levers of the country, including the various subordinate ministers who had their own budgets and priorities. Where you had, therefore, a strong, centralized government with a powerful finance minister who was committed to the cause of accelerated development, it worked. Lacking that or when there was a change and a new man came in and wasn't invested with the same ideas, it dissipated badly. We also had the problem of the political and commercial interests of bilateral donors interfering with the pure developmental purposes of the exercises. So, you would have nominal agreement in the Consultative Group in Kenya, for example, (I recall this one vividly) to refrain from wasteful programs, frivolous initiatives by various ministers. Then within a few months, you discovered these same bilateral aid agencies were up to the same old tricks. In other words, there was no discipline in the Kenyan government and no discipline on the part of the members of the Consultative Group to adhere to the deal. Part of this was due to the fact that export credit agencies played a large part in this. They never considered themselves really bound by the developmental concerns.

Q: Do any of the donors stand out in your mind with this problem?

POATS: Oh, yes, I can name many of the leading European donors and Japan.

Q: The U.S. was not part of it?

POATS: The U.S. was almost wholly blameless on this subject. Occasionally, there would be some argument from the ambassador that we really shouldn't be so stiff-necked about all this. But I think, by and large, Ex-Im Bank, partly because it didn't have a lot of money to throw around in developing countries anyway, was likely to be a purist.

Q: Was that being high-minded or was that just because we didn't have the resources?

POATS: Oh, it's much easier to be high-minded about export credit matters if you don't have much money and if you want to put the money into major markets rather than minor African markets and so on.

Q: We weren't aggressive in developing those markets.

POATS: There was a period when we were so upset by the competitive zeal of our export credit competitors from other countries that we set up war chests. The White House and the Treasury wanted to throw money at projects that were about to be stolen from us by a subsidized credit offered by some other country. Well, we never really put much money into that.

Q: It never functioned?

POATS: It functioned. But it certainly had very little to do with development, I know that.

Q: Right. Any other dimension of the Consultative Group process? People are very interested in this topic nowadays.

POATS: I spent a lot of time on this in one of my subsequent roles, but let me first turn to the next role, which was related to this. That is first as Vice President and then subsequently as Acting President of OPIC for 18 months. This was in the beginning of the Carter Administration.

Q: OPIC was once in AID, was it not?

POATS: Yes, and I was Acting Administrator when we put forward the legislation to separate the private enterprise and investment promotion arm of AID, the Private Enterprise Bureau, and create an independent government corporation, OPIC.

Q: Why did we want to separate it?

POATS: We decided that would be desirable because we wanted to create an institution that functioned like a political risk insurance company and could engage openly, freely, in legal actions to protect its insured investors without directly bringing the U.S. government into the fray. We also wanted to have an institution that could develop its own income and resources and apply them to create a bigger guarantee pool to protect against losses in the insurance business. We wanted to have a development lending function that was not dependent upon the guarantees of the host government so that it would be a project lender based upon project analysis, taking risks in the way that an investment bank takes risks. We thought those functions could not be performed very well inside AID, which was oriented toward government to government programs, although not entirely, and was a creature of the annual appropriation process. We wanted something that was independent of the appropriation process, able to make its own decisions and to make or break on the basis of sound business judgement. That was accepted by the Congress. Mind you, this was put forward at the beginning of a Republican administration, the Nixon Administration. I was still in the government at that time. It was put through in 1969. It didn't come into being actually until about a year and a half later because of a dispute with its principal godfather on the Hill, Senator Javits, over who was going to be its first president. He was determined to have his man as the first president. The White House was determined to have somebody else. So, it was slow getting started.

Q: But you were president?

POATS: No. Not at that time. The first President of OPIC was Bradford Mills. I did not take charge of OPIC until the beginning of the Carter Administration in 1976.

Q: When you created OPIC, did that mean that AID no longer had any responsibility for private investment? Was there some function left?

POATS: AID continued to have responsibility for private enterprise development in the sense of support for and influencing policies and institutions to encourage the proliferation

and growth of private enterprise in the recipient countries. But the support of through insurance, loan guarantees, and direct loans to U.S. direct private investment projects in developing countries was transferred to OPIC. I was there for 18 months as Senior Vice-President and Acting President. I went from there to the National Security Council staff in the White House under Jimmy Carter, where I was responsible for some aspects of international economics.

Q: Let's go back to your Deputy Administrator function. Was there any other dimension of that assignment? Were you trying to bring out any changes within the organization or structure of AID?

POATS: The Administrator at that time was first Bill Gaud, who was a very experienced hand having been the Assistant Administrator for Near East/South Asia and then the Deputy Administrator for a number of years. So, he didn't need a great deal of coaching on how to reform AID. He had his mind pretty well fixed on that subject. Then when John Hannah came in, I was the Acting Administrator for several months until he actually came on board in April of 1969. Then Hannah quickly delegated to me great chunks of the administration because they weren't of interest to him. He heartily disapproved of the idea of the U.S. government making loans to poor countries. The idea of being a loan collector when the payments came due was offensive to him. He just didn't want any part of that. So, all the loan business and all the old loan collection problems he transferred to me. He also had a quite sensible attitude toward police assistance to countries that did not operate under the rule of law, did not have an effective constitution or an effective juridical process that insulated the people from outrages of a police state. So, he was very much opposed to many of the AID programs that stemmed from the Cold War era of assistance to police forces engaged in sundry activities in support of a local dictator or strong-arm government. So, one of our major tasks was to phase out some police assistance programs. Of course, this encountered considerable resistance in the State Department, and it occupied a lot of our time for a while. There were other specialized tasks that I undertook for Hannah in the year and a half or so that I remained in the government after the Nixon Administration

come into office. I left in June of 1970 to take a fellowship at Brookings and write a book on technical assistance.

Q: We'll come to that in a minute. During that time, you must have spent a lot of time on the Hill testifying and so on. How was your experience working with Congress?

POATS: I think I had more intensive time on the Hill in the preceding period. I don't think Deputy Administrators in that day were called upon much by thHill. They looked to the Administrator or to the Regional Administrators essentially. As I said earlier, I was on the Hill constantly when I was Assistant Administrator for the Far East, particularly during the whole Vietnam ordeal, endlessly on the Hill for that. A whole series of investigative committee hearings on corruption in Vietnam, for example, occupied a lot of my time. I was in hot water with Senator Bayh because he accused AID of wasting money in Vietnam by buying galvanized iron sheet in Korea instead of in Gary, Indiana. That led to a whole set of hearings about the AID operation in general.

Q: Did those kinds of issues just fizzle out after discussion?

POATS: They finally fizzled out, yes, the whole series of investigative hearings. Bayh, in fact, hired a person who did almost nothing but dig up more dirt on AID in Vietnam for six months. So, you can spend a lot of time on the Hill in that sort of thing. But the Deputy Administrator in that administration (I suspect that was true in the subsequent ones.) was not called to the Hill nearly as much as the Administrator or the Assistant Administrators for regions.

Q: What was your impression of the congressional view of the development function of AID?

POATS: It had its ups and downs, but I think it was dominated, as was so much of foreign policy, by preoccupation with Vietnam. As the Vietnam situation deteriorated and the popular opinion of the policy in Vietnam ran deeply against the government, then any aid

program was cast in that light. So, we had an increasingly negative response, I think, and an increased yearning on the part of our friends on the Hill to recast AID in images other than those associated with the past.

Joined the Brookings Institute to write a book on technical cooperation - 1970

Q: You said you left AID on a sabbatical. When was this?

POATS: In June of 1970. I went to Brookings on a Federal Executive Fellowship for the purpose of writing a book on technical cooperation.

Q: What led you to write that book?

POATS: I mentioned to you the interest in population assistance, which I had become deeply involved in. Another factor was the then exciting prospect of the Green Revolution that had been occasioned, as you know, initially by the success of the Rockefeller research projects in the Philippines and in Mexico on grains. That had led AID to see what it could do to provide greater support for follow-up and adaptive research in countries that were falling behind in the per capita grain production effort. I took advantage of the opportunity to go and write a book which was published by Brookings in 1971 called “Technology for Developing Nations.” This was an attempt to define a sort of strategy or scheme for more research-based, longer-term technical assistance. Out of that kind of thinking, which other people had as well as myself, came the idea of creating a separate technical assistance agency, sort of going back to the old days but in the form of a government foundation with long-term funding and insulation from political pressures. Henry Owen, who was my division chief at Brookings at that time, the head of the foreign policy side of Brookings, pursued this idea when he was in the NSC staff. It never got off the ground. It was tried on the Hill for about a year. It was called the International Science and Technology Institute (ISTI). It never was accepted — wisely, I think — by

the Congress because it might have diverted us from the need to consolidate limited resources.

Q: Did your consideration of technical cooperation come up with some reservations about its effectiveness? Was that a factor?

POATS: I analyzed each of the sectors and our work in each of the sectors over the preceding 20 years and tried to draw some conclusions that were relevant to the work of people in the business at that time. This was a book for practitioners; how to do it better. So, I had a lot of recommendations that, of course, people who had had the role of Deputy Administrator of AID think they're free to spout off. After having read books in Brookings that I should have read before going to work for AID, I felt suddenly much wiser about many of these things than I had before. Indeed, one of the lessons that I drew that I pass on to anybody who ever listens to these tapes is that there should be much more enforced, required, in-service training of AID technicians and managers. They don't take time to do it right. There are very few academic programs that prepare one for this business of intervening in the processes of economic policy making and institution building in strange cultures. We need much more cultural sensitization in the AID staff, much more current exposure to the thinking of outsiders both in foreign countries and in our own country, much more awareness of what is being done and thought about in other development donor countries such as France, Japan, Germany, and so on, and much keener appreciation of what has happened and what has worked and hasn't worked on that part of our people who are experimenting with other people's lives and other people's money. So, much more of this kind of taking time out for short term sabbaticals, I think, would be money well spent in the AID administration.

Q: I guess this was about the time when AID was beginning to move out of our technical functions and turn them over to contractors.

POATS: Yes, and that was one of my enthusiasms at that time. I think it has gone further than I had in mind. But I certainly advocated then tapping the expertise of private and quasi-private institutions much more extensively, partly because some of the best long-term technical assistance thaICA sponsored or that AID sponsored was indeed run by land grant colleges, the Population Council, other such specialized quality institutions. Whether there are enough to do all these other tasks, I don't know. But I found in the fields of industrial finance and agricultural finance, for example, potential for all sorts of involvement of the private or civil sectors of the United States in development operations. I explored all those possibilities and encouraged much greater use of those resources.

Q: So, you were supportive of this trend away from pure direct-hire technical staff?

POATS: Yes, I thought there was much greater scope for the US private sector than we had explored.

Q: You then moved to the White House?

Served as Vice-President for Policy in the Overseas Private Investment Corporation - 1971-1974

POATS: No, I went from there to OPIC for several years as the Vice President for Policy. The reason for that was wholly unrelated to my wisdom on investment insurance. I had been the Deputy Administrator and Acting Administrator at the moment when the U.S. copper companies had sought to activate their AID investment insurance against the expropriation of their properties by the government of Chile in 1970. I had been the one to tell them, “No, your policies are not in effect. AID will not indemnify you.” These companies had taken advantage of a foolish clause in their contracts with AID which permitted them to put their insurance on “standby”, meaning they didn't pay any premiums, but they had the right to reactivate the insurance any time in the future. But at the time they were expropriated, the insurance was legally inactive, our lawyers said. We stuck to that. Of

course, they went up in smoke because they had insured $750 million of their copper investments with AID. Had AID attempted to pay this, AID would have been out of the business of investment insurance and OPIC would never have been created. Along comes OPIC about that time. The OPIC president, Brad Mills, knew that I had been involved in this and he wanted somebody to help him defend OPIC against the copper companies' suits against OPIC based on the stance that I had taken originally when this program was under AID. So, I was called in after finishing my sabbatical to be sort of his left hand man on defending against these suits, which were taken to arbitration against OPIC. We lost these suits. They won in arbitration. But they realized that OPIC had no capacity to fully pay these claims. Furthermore, these companies by that time saw the advantage of not totally alienating themselves from the Chilean government. So, they accepted some ingenious schemes put forward by others in AID than myself, entailing installment settlements of these claims. These were in the form of all-risk guarantees of Chilean government bonds for installment compensation for these expropriations. Well, what do you know? This was a highly contentious innovation but it was accepted by all, including the U.S. Treasury. Over the years, the Chilean government paid off these bonds. OPIC never incurred a single loss and indeed made a profit on the premium it charged on its guarantees of the bonds. It worked out as a model for others, including MIGA, when I was a consultant in the creation of the Multilateral Investment Guarantee Agency in the World Bank some years later.

Q: It was essentially to shift the responsibility to the recipient country or the developing country?

POATS: Yes. Most failures to compensate for expropriations are driven not by ideological passion, but by lack of money. The recipient countries can't afford to fully indemnify the foreigners that they expropriate. If you find a way for them to do it on an installment plan and still retain international good standing in the financial community, they'll tend to do it

just as they tend to try to not default on international debts for the same reasons. That was part of what I was doing in OPIC in that period.

Transferred to be Economic Advisor to the Deputy Secretary of State - 1975

POATS: Then I went from there to the State Department as Economic Advisor to Charles W. Robinson, the Under Secretary for Economic Affairs, who soon became the Deputy Secretary of State. My primary task there was to direct the staff work and supervise the setting up and operation of joint economic and technical commissions with Middle Eastern countries: Egypt, Israel, Saudi Arabia, Iran, and Tunisia.

Q: What was their purpose?

POATS: They were set up at the instance of Henry Kissinger, who was then the Secretary of State, and run, in effect, by Chuck Robinson and myself and various senior people around the government. For example, the one in Saudi Arabia was run by Bill Simon, the Secretary of the Treasury. I managed the Washington committee process for coordination and providing resources to them. The joint commissions were set up at the instance of Henry Kissinger and President Ford primarily to ingratiate the United States with the OPEC countries. In order to give it a broad enough cast so as not to reveal clearly that intention, they threw in Egypt, Israel, Tunisia, and India. But the primary target was to wean Iran and/or Saudi Arabia away from OPEC. Kissinger thought that by helping them out on their development efforts, working with them on aspects of their economy other than oil, we could have a good dialogue with them on oil policy and could even succeed in causing them to sell us oil at discounted prices. This was, mind you, during the oil crisis. Of course, that didn't work.

Q: What did these commissions do in fact?

POATS: They organized a lot of collaboration between ministries of those countries and departments of the U.S. government and a few private institutions in technical fields. The

Saudis used it more extensively than others. They tried and to some extent succeeded, in getting the joint commission staff to help them select the best U.S. sources of technical services and technological materials.

Q: This was part of the reimbursable aid program then?

POATS: It was wholly paid for by the Saudi government, including the salaries of U.S. Treasury Department commission staff people living in Riyadh. But when push came to shove, we legally could not tell the government how to rate one U.S. company versus a competing U.S. company. That would clearly violate our laws and we had to formally abstain from that. But I don't doubt that, privately, there were certain hints and nods given from time to time.

Q: It had something of a development role then?

POATS: Oh, yes, it was a development function. It was a predecessor of the AID operation in Egypt. It had a bearing on what became subsequently AID technical collaboration with India and Tunisia. It was a major operation for a while in Iran. Of course, it suddenly ended with the overthrow of the Shah. The Shah was a great enthusiast for this program.

Q: What were the technical areas that were of primary concern? Was it mainly industrial or other?

POATS: Pretty well across the board. We had all of the sectors of development involved in some degree such as health, education, agriculture, water resources, ecological preservation, and so on, the whole range. So, you had various government agencies, maybe 20 in some cases, involved in a single joint commission meeting in a country.

Q: There were subgroups on each of these functions?

POATS: Yes.

Q: AID was part of this?

POATS: AID was part of it. AID participated in several of the subgroups. But they were generally led by technical departments and their counterparts in the other country.

Q: And they worked pretty well?

POATS: Yes, I think some of them created some lasting linkages between institutions. They got to know who was good at what in this country. They realized that most of our experts were indeed that and had no ax to grind and were helpful. Of course, some of them were pretty expensive. I worked on the joint commission program in 1975 and 1976, then went to OPIC as Acting President, then to the NSC staff, and finally to the DAC. Appointment as Chairman of the Development Assistance Committee of OECD - 1981-1986

Q: How did the DAC job come about? During the Reagan Administration, you got the job of the DAC Chairman.

POATS: I remained on the NSC staff during the transition from the Carter Administration to the Reagan Administration. For most of 1981, I worked on trade policy and then was selected by Peter McPherson, the AID Administrator, to be nominated by the President to be the U.S. Chairman of the DAC. I followed sort of a tradition of former AID Deputy Administrators becoming Chairmen of the DAC. At the end of 1981, I went to Paris, and I was there for a little over four years as the Chairman. In 1985, I produced under OECD auspices a 25th year anniversary survey of the experience of international development cooperation, a book on development cooperation during the Development Assistance Committee's 25-year history. I'd like to just cover the highlights of my summation of that history. I think it's a good way to put in perspective what we have been talking about in a somewhat personal fashion. The first point I'd like to make and did make in this summation is that we began the whole era of development cooperation with the assumption that

preindustrial and largely stagnant economies could be launched on a course of dynamic economic and social transformation ultimately sustainable without prolonged dependence on concessional aid. Further that this process could be set in motion, broadened, and accelerated by the efficient use of internal and external resources in combinations appropriate to particular cases in an environment of policies and leadership conducive to sustained development. That notion, that belief, was grounded in the optimism I referred to earlier that dominated the thinking of governments pretty much around the world in that period and was driven to some degree by a sense of necessity to provide a noncommunist, liberal response to the challenge of communism, which sought to answer the impoverishment of the majority of the people in the world with a totalitarian, statist solution. So, this was a political mission. A missionary zeal drove it. I don't think anyone was fully confident outside the circles of those directly engaged in this program that it would succeed. But the fact is that 25 years later, looking back on that period, we found very strong evidence that growth had been accelerated, that per capita GNP [gross national product] growth had exceeded substantially the rate of per capita GNP growth in the industrialized countries in either the same period of development or the last 25 years. Secondly, the other indicators of development had equally shown progress — in the average life expectancy, reduced child mortality, literacy, primary school enrollment, and so on. So, development had been greatly accelerated in a variety of counties in all regions. Now, that doesn't say that development aid could be credited with this. Indeed, it shouldn't be credited fully with it. It was no better than a catalyst, an inspirer, or an important supplement in all cases. But, if one looks at the record there, as I did in this summary, one finds that in fact development did become the paramount objective in many countries that had previously been mired in stagnation and indifference to such considerations, that social development was given a higher place politically in these countries, and that a joint objective of development for common goals had become the binding relationship between the United States and many countries of the world, something like 70 or so countries. Development aid is more difficult to analyze and measure as to its success. But we did have a number of studies about that time (1985-1986) which gave encouragement to the

view that development aid indeed had made significant contributions to economic and social progress, as reflected in national development policy, the strengthening of public institutions, the opening of opportunities for private enterprise to grow, and impact on poverty, even though on the latter subject, there was much room for modesty, to say the least. But we did recognize that that was a task yet inadequately fulfilled. But I concluded that much aid had made a significant contribution to development. The sources of the early cases of ineffective aid had been identified and to a large degree were being corrected. Among the particular cases I examined in this area was the special case of sub-Saharan Africa, the most difficult of all of the cases, where the margins for economic adjustment were so limited that the financial dimensions of the African crisis as a part of the global recession of the early 1980s could not be reduced in the short term. It clearly entailed a much longer term commitment and a much greater appreciation of the cultural and political handicaps that these countries were experiencing. The most plentiful resource potential and the most abused resource clearly was in agriculture. There, the policies of sub-Saharan African countries despite much entreaty, inducement, and pressure by the aid agencies including the World Bank still fell well short of providing strong incentives to farmers, particularly small scale agricultural producers. Private enterprise was clearly another neglected development resource that we then recognized. We set out to do much more about it in the subsequent AID programs, as you know - but not just by USAID, but by all concerned. It no longer was contentious as it had been for many years in the political discussions in the African setting that private enterprise had to be given priority. This despite the fact that still we found in this period when I was surveying Africa more closely that it was not regarded by most of the elite of Africa as a worthy ambition for one of their sons to become a businessman. He should be in government, be a bureaucrat, have a place, a position, not a job. This was a very serious social, cultural impediment. The overextension of the public sector which we talked about much in the subsequent years was most vividly evident in Africa, where the public sector had naturally come into dominance because of the impatience of the post-colonial regimes to get on with replacing the old colonial institutions and agencies and companies with whatever was available.

What was quickly available was to create a public institution or to strengthen one. That, of course, suppressed opportunities for the private sector and created opportunities for massive abuse and corruption. The reversal of all that entailed recognition by political leaders of the role of private sector enterprise. That isn't easy to bring about in any society, particularly where the options of replacing it may often be another oligarchy that is almost as monopolistic and free of competitive pressures as the original state enterprise. So, the task was recognized as far from successfully fulfilled in the Sahel and generally in sub-Saharan Africa. The development record in Asia and in Latin America was much more encouraging, I concluded. I mentioned already the successes in Korea and Taiwan, but generally speaking it can be said, I think, that when we look at the world today, we are looking at graduates, at countries that are either ready to or nearly ready to join the community of industrialized democracies. That's true of Mexico and Korea that have already joined the OECD. It's true of those that are candidates for near membership such as Braziand Argentina. It's certainly going to be true of some others. Thailand has had its serious setbacks, but I think it will recover. In Latin America, one sees vibrant responsive republics that are committed to a market economy. That's clearly true in Asia with the exception of the political side of the transformation that is taking place in China. In South Asia, I want to emphasize and did emphasize in this paper, the importance of the Green Revolution technologies as triggering change toward a very optimistic view of what can be done by concerted action in the research area. That, as I said, led to a wider appreciation by all the DAC members of the potential for and need to focus on long-term institution building and support of agriculture and of greater attention to the creation of opportunities for growth in the small business sector and the private small farm sectors of these countries as essential to any effective attack on poverty. We were left at the end of a generation-long experience in development cooperation with an agenda that still had much challenge in it, particularly to free and stimulate the creative energies of small farmers and private entrepreneurs to bring about the equivalent of a technological Green Revolution in other crop fields, to improve public administration where its lack has been a serious brake on development efficiency and welfare, to extend, while making more effective

and affordable, basic public and private services for human resource development, to make universally available the opportunity to regulate human fertility, to protect the natural resource bases of development from ecological degradation, and to bring women of developing countries more fully into the planning and execution of development programs and enjoyment of their benefits. This I saw as the agenda for the future when I left office in early 1986. I think I can say that that agenda is still reflected in the focus and priorities that one sees in the aid programs not just of the United States, but of most of the partners in development. The partnership is increasingly important to the United States, I would argue, because our resources for development have declined in proportionate and real terms, whereas the problem still is there in many parts of the world.

Q: With the decline of our resources, does that mean a decline in U.S. influence in the international development agenda?

POATS: Yes, I think that's true. I know that in my own experience, we had enormous influence where we had very significant resources to offer that were clearly important to the political interests of the government and of its members, very important influence where we were important to the plans of an institution such as a university to amend its curriculum or to improve its research programs. When we become a marginal player, one of many small contributors, obviously, we are appreciated but not listened to when it's inconvenient. I saw that in Eastern Europe, where I worked for a while as a consultant after these other jobs. It seemed to me that not just USAID, but most of the bilateral agencies, were not second fiddle; they were third or fourth fiddle to the World Bank and to the European Development Bank.

Q: In your role in the DAC, how did you see the influence of the U.S. in relationship to other donors?

POATS: It retained influence despite the fact that in the DAC measurement of aid effort, the United States dropped lower and lower and lower until finally when I was there it was

down to about the level of Ireland, near the bottom of the pack in terms of the percentage of per capita GNP or GDP [gross domestic product] devoted to aid. Despite that, the United States was recognized as a source of wisdom and experience on how to do it and a country that had a remarkably clear record on putting development high on its agenda, if not always first. They took pot shots occasionally at our enormous disproportion of AID program funds that went to a rich country, Israel, as opposed to the poor countries. Nonetheless, when AID people attended specialized meetings of the DAC, they often had more valid lessons to convey — in terms of what works and how to make it work — than the representatives of any other country. In a consultative forum, that's a very important influence.

Q: Were there any particular areas during your time there that you were focusing on?

POATS: There was one that you know much about. I wasn't particularly innovative here at all, but I was certainly concerned with it and interested in it. That was the strengthening of the evaluation functions of aid donors and applications of the findings of evaluations in the programming of additional aid. I think the evaluation consultative subcommittee of the committee of the DAC did some useful work in stimulating professionalism in this aspect of aid management. I think that was true also of its work on women in development, where we started with a sort of simplistic, naive notion of “We've go to do something about this problem because the women are on our backs about it” and soon recognized that, hey, there can be some real benefits from making this concept a central part of our planning and management. That change of mindset occurred to a much lesser degree in the DAC, I think, on population programs. Here the DAC was frustrated repeatedly by the reluctance of several countries, notably a leading aid donor, France, to embrace population programs as an essential part of development.

Q: Were there any other initiatives at that time?

POATS: I mentioned earlier and I'll repeat in this context, coordination. The DAC, of course, was created for the purpose of coordination, but the initial idea was rather simple. It was to coordinate at the level of policy and budgeting and try to put pressure on each other to do more and do better. The idea of coordination that evolved, particularly while I was there (and I suppose it's been continued), is to improve the processes of sectoral and country coordination of donors so as to achieve more impact for limited amounts of local and foreign resources in a particular country or in one sector of a particular economy. The improvement of the mechanisms for these specialized consultative operations was a particular interest of the DAC and of its annual reports and of our meetings. I think we had considerable influence on the donor community in getting it to agree to the leadership of usually the World Bank, but in some cases other institutions, in these specialized consultative operations that were extended quite widely.

Q: Looking ahead about the DAC, do you think it continues to have a desirable function or has it outlived its usefulness?

POATS: Once you leave an institution, you think it's gone downhill from that point on or going off on some voguish tangents. So, I can't be regarded as authoritative on this. My impression from reading the Chairman's annual report is that the DAC has tried to stay abreast of the new waves of interests in the development business and these have led it to spending a lot of time on trying to define what constitutes sustainable development and how to strengthen the civil society and so on. These formulations are useful in reviving interest on the part of specialized outsiders in helping the least developed countries. There is much less political imperative in an industrialized country's capital to give aid to a multitude of small, poor countries now that the more interesting and more potentially rewarding developing countries have made it to the ranks of the near industrialized, near rich. So, I would think it's much more difficult now for the DAC to perform its role than it was in the past and, in that sense, it's more important that the United States remain committed to the cause. Once the United States loses interest in something in an

international setting these days, it's very likely that others will diminish their participation as well. I think we've seen that.

Various consulting assignments - 1987

Q: What about some of your other career experiences?

POATS: I don't think there's much I could say about my experience with the World Bank. I was focused wholly on the business of setting up a new subsidiary of the Bank, the Multilateral Investment Guarantee Agency, which I came to because of my experience in DAC and my experience in OPIC. I was the consultant to the Vice President/General Counsel, Ibrahim Shihata, who was the true founder and creator of MIGA. I was his consultant, advisor, drafter, promoter, and so on. I was the interim manager of MIGA until its first Executive Vice President came on board at the start of MIGA in 1989. MIGA is one of several developments in the World Bank Group in the direction of strengthening its role in private enterprise development. The World Bank Group's effectiveness in these roles has, I think, been quite high. Its influence on the policies of developing countries toward private sector development has certainly been more pervasive than could have been the influence of national donor agencies. The fact that MIGA was created and that MIGA is prospering and has been renewed, extended, and expanded, shows, I think, that this aspect of development is now fully in place.

Q: This is international investment guarantees?

POATS: Not just that, but in the broader sense of support for the transfer of resources for productive private enterprise development. MIGA, after all, has a technical assistance function as well as an investment guarantee function.

Q: How does that relate to the IFC?

POATS: They are very close collaborators. In fact, my initial proposal when I was Chairman of the DAC was that MIGA be created as an additional function of the IFC, but it didn't go that way and it's too late now to reverse gears on that. But MIGA and the IFC do collaborate with the Bank and support a wide range of private enterprise development efforts

Q: You said you worked on Eastern Europe.

POATS: I went on from the MIGA job to setting up a consulting firm which had two ex-AID people in it. This firm has primarily advised governments in Eastern Europe, including the seven states of the former Soviet Union, the “stans,” on how to make their economies more attractive and receptive to private foreign direct investment; and secondarily, to assist them on developing particular institutions for promoting particular sectors of development to the outside world, to potential investors. We had a number of projects in Poland, Hungary, Czech Republic, and Russia.

Q: What kind of projects were you proposing and promoting?

POATS: We worked largely in institutional development programs in the public sector, creating and strengthening foreign investment promotion entities of the Ministry of Commerce or the Ministry of Industry or wherever it was lodged and helping them to learn from the experience of others so as to set it up properly and to address the institutional and financial functions outside the purview of these little offices to maximize the potential of those countries to attract foreign investment. It was a logical follow-up to my work on MIGA, which had that general function as well. I did some consulting work, as consultants always do, for their ex-institution as they came up to their need for additional resources and need for adjusting their technical assistance operations to meet the needs of their members. That's pretty much what it was.

Concluding observations on international development

Q: Let's look back a bit. Looking over your long career in foreign assistance, do you feel it made a difference? Has it been effective? You've implied that it has in many cases. What is your overall conclusion?

POATS: I think anyone who has worked in foreign assistance should feel proud of his work and his efforts to make a difference. I think the whole cause was a very positive mission that we had as individuals and we had as a nation. The fact that it's a cause adopted by all of the other industrialized democracies, I think, supports that belief. The fact that it's reflected in the strengthening of the multilateral agencies and the proliferation of private operations in this field beyond charity to development, as endorsed now by UNICEF, CARE, and many others speaks to the same point. So, briefly, it's been a cherished experience and one which I'm sure that new entrants into public service should consider because there is much yet to be done.

Q: In what areas of AID's foreign assistance work do you think we've made our most distinctive contributions over the last 30 years or so? Where do you think it's had the greatest impact?

POATS: I think probably the greatest contribution in any development area is in the creation of competence in the society in which we are working to perform these tasks themselves. That entails both training in the conventional sense and more pointedly, the orientation and strengthening of institutions that can apply skills to these countries' problem-solving. So, I'd say institutional development and human resource development must have made more impact in the long term than the other parts of our effort.

Q: Your work on population and some of the agriculture areas?

POATS: Yes, these are aspects of the same point.

Q: And that still should be a thrust or a primary interest? You don't hear so much about institutional development now. You hear about it, but people sort of poo-poo it.

POATS: My guess is that it's more and more difficult to persuade the recipients that they need external help on this; that we have any ideas yet to be imparted to them. That must be a great frustration for the development business these days. I'm sure there is a lot more that can and should be done in the way of institutional twinning and research collaboration with a view to improving performance, but I suspect it's not recognized on either side of the partnerships as necessary these days, although I think it still is.

Q: Do you have any feel for the future directions of development assistance type work and whether it should be changed?

POATS: I don't pretend to be sufficiently aware of current thinking and current analyses to be on top of that question. I've told you what I was recommending at the end of my active involvement. So, clearly, I'm out of the current stream now.

Q: That's still relevant to today?

POATS: It's to some extent relevant, but I can't be sure that I could name the three or four steps if I were trying to design next steps in AID's career.

Q: How would you sum up your own experience in AID and in foreign assistance? How would you characterize that?

POATS: My experience in AID was almost wholly positive with the exception of the frustrations one has in trying to ride two horses at the same time. When you have the Cold War imperatives that dominated the program through much of my career and the Vietnam era and, to some degree, the early stages in Korea, Latin America, and Egypt, that clearly diverts resources and minimizes effectiveness. That sounds like an alibi perhaps for shortcomings of the AID operation. But it was clearly a weakness and a source

of disappointment. Despite that, I think, overall, we have been party to a very fruitful acceleration and broadening of development around the world.

Q: That's a good point on which to end. Thank you very much. It's been a fascinating interview.

End of interview